

## Message Text

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13

ACTION EUR-10

INFO OCT-01 ISO-00 CU-03 CIAE-00 DODE-00 INR-10 NSAE-00

PA-01 RSC-01 USIA-04 PRS-01 SP-02 EB-03 TRSE-00 L-02

COME-00 DRC-01 SS-14 NSC-07 /060 W

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R 092210Z OCT 74

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 4737

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E.O. 11652: N/A

TAGS: EFIN, SCUL, CA

SUBJ: RUMORED TAX CHANGE RE ADVERTISING IN FOREIGN  
PUBLICATIONS

REF: OTTAWA 3224

1. PRESS HAS LEARNED ABOUT AND IS REPORTING TIME  
MAGAZINE'S LOBBYING AGAINST RUMORED CHANGES IN CANADIAN  
INCOME TAX LEGISLATION. FOLLOWING MEETINGS REPORTED OUR  
2879, TIME SUBMITTED BRIEF TO MINISTERS MOST  
DIRECTLY CONCERNED. LAST WEEK CIRCULATED COPIES TO  
REST OF CABINET AND THIS WEEK TO ALL 264 MEMBERS OF  
PARLIAMENT. FULL PAGE STATEMENT IN THIS WEEK'S  
ISSUE OF CANADIAN EDITION REPORTEDLY SUMMARIZES  
MAIN POINTS OF BRIEF AND INDICATES THAT WITHOUT TAX  
EXEMPTION ADVERTISING WOULD BECOME PROHIBITIVELY  
EXPENSIVE. SUGGESTS THAT TIME INC. IS NOT PREPARED  
SUBSIDIZE CONTINUED PUBLICATION OF CANADIAN EDITION.

2. SATURDAY NIGHT, DESCRIBED AS CANADA'S OLDEST MAGAZINE,  
ANNOUNCED ON OCTOBER 7 THAT IT WAS FOLDING HAVING RUN OUT OF  
CASH. PUBLISHER STATED COMPANY IS SERIOUSLY UNDERCAPITALIZED  
"AND THUS UNABLE TO COMPETE IN A MARKET DOMINATED BY CANADIAN  
EDITIONS OF AMERICAN MAGAZINES." PUBLICATION AHD BEEN  
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RECIPIENT OF EXTENSIVE FEDERAL AND PROVINCIAL GRANTS OVER

PAST YEAR. (HOWEVER, IN TV INTERVIEW OCT 9, EDITOR OF SATURDAY NIGHT SAID MAGAZINE ONLY "SUSPENDING" PUBLICATION -- THAT HE REGRETTED QUESTION OF TIME HAD COME UP AT SAME TIME, THEREBY "CLOUDING" PROBLEMS OF HIS MAGAZINE -- WHICH WERE PRIMARILY CASUED BY LACK OF CAPITAL AND NOT COMPETITION FROM TIME).

3. ISSUE ATTRACTING CONSIDERABLE PRESS AND TV COVERAGE WHICH IN LIGHT OF SATURDAY NIGHT'S DEMISE MAY BE PRESURING GOVERNMENT TAKE DECISION REVOKE EXEMPTION. LEAD EDITORIAL MONTREAL GAZETTE FOR OCT 8 SPECIFICALLY ASSOCIATES SATURDAY NIGHT SITUATION WITH TAX EXEMPTION AND URGES GOC "MOVE TO END THE PRIVILEGED POSITION OF TIME AND READER'S DIGEST."

4. IN RADIO INTERVIEW OCTOBER 7 TIME CANADA EXECUTIVE STEPHEN LARUE MADE POINTS SIMILAR TO THOSE IN BRIEF, BUT WHEN QUESTIONED ABOUT POSSIBILITY OF SEELLING TIME CANADA TO CANADIANS IF THIS WERE A CONDITION FOR CONTINUING OPERATIONS WITH TAX EXEMPTION INTACT, HE DID NOT APPEAR TO COMPLETELY CLOSE THE DOOR TO THIS POSSIBILITY.

5. MONTREAL STAR AND OTTAWA CITIZEN OF OCTOBER 8 REPORT THAT USG OFFICIALS IN WASHINGTON ARE DESCRIBED AS KEEPING A WATCHFUL EYE ON DEVELOPMENTS, BUT WITH NO SUGGESTION YET THAT THE U.S. MAY INTERVENE. THE STAR WRITES THAT:

"ON THE CONTRARY, INFORMED SOURCES SUGGESTED THAT TIME INC., AT LEAST, HAS REACHED THE CONCLUSION THAT AMERICAN PRESSURE ON BEHALF OF TIME'S CANADIAN EDITION MIGHT BACKFIRE IN THE PRESENT ATMOSPHERE OF HEIGHT (SIC) AND CANADIAN NATIONALISM.

"OFFICIALS IN THE CANADIAN EMBASSY SAY THERE IS NO EVIDENCE AT ALL THAT THE U.S. GOVERNMENT PLANS ANY FORMAL INQUIRIES OR REPRESENTATIONS. A STATE DEPARTMENT OFFICER SAID THE DEPARTMENT 'IS JUST SITTING BACK AND WATCHING'.

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"ONE SENIOR U.S. OFFICIAL, SPEAKING OFF THE RECORD, SAID THAT WHILE THE AMERICAN GOVERNMENT MIGHT BE CONCERNED ABOUT QUESTIONS OF PRINCIPLE ARISING FROM THE TIME-READER'S DIGEST CASES, IT ALSO TENDS TO REACT MAINLY WHEN IT IS PRESSED TO ACT BY THOSE AFFECTED.

"SO FAR, THERE HAD BEEN NO SUCH PRESSURE.

"TIME IS 'PERFECTLY AWARE THAT AN ANGRY  
U.S. INTERVENTION WOULD SEAL THE ISSUE,' ONE  
INFORMANT SAID. 'THE U.S. GOVERNMENT IS ALSO  
AWARE THAT IT WOULD BE COUNTER-PRODUCTIVE.

"THE SITUATION WITH RESPECT TO RADER'S  
DIGEST MIGHT NOT IMMEDIATELY BE DETERMINED.

"THE MAGAZINE HAS A POTENTIALLY INFLUENTIAL  
ADVOCATE IN MELVIN LAIRD, WHO BECAME A DIGEST  
EXECUTIVE OFFICER AFTER SERVING AS DEFENCE  
SECRETARY AND ADVISER TO FORMER PRESIDENT RICHARD  
NIXON AND WHO HAS BEEN ACTING AS OCCASIONAL POLITICAL  
ADVISER TO PRESIDENT FORD."  
PORTER

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## Message Attributes

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